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A Survey of Marketing Problems Confronting Oregon Creameries

By

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INTRODUCTORY STATEMENT

By

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There has been almost continuous dissatisfaction with marketing conditions for butter in this state during the last ten years. Numerous individuals and groups have given the matter thought. Almost as many ideas have been advanced explaining existing conditions as there have been people studying the problem.

Three organized efforts have been made in Oregon during the last ten years to improve marketing conditions for butter. The first two efforts failed. The third effort has not yet engaged in marketing activity but is doing preliminary work.

These facts suggested the need for a careful study of conditions by individuals who had not heretofore been close to the situation. Not enough facts have been available upon which to base a clear analysis of conditions, but it has been obvious that something needs correction. The Oregon Agricultural Experiment Station, therefore, requested the cooperation of the Bureau of Agricultural Economics, United States Department of Agriculture, to assist it in making a study of butter marketing in this state.

The material presented herein is the result of a study made by Mr. D. L. James, of the U. S. Bureau of Agricultural Economics, and Mr. N. C. Jamison, of the Agricultural Extension Service, whose services were loaned to the Experiment Station for this study. Before starting the study an outline of the ground to be covered and the facts to be secured was agreed upon by the Bureau and the Experiment Station. This outline appears on page 4.

Practically every creamery of importance in the state was visited by the investigators. The markets of Los Angeles, San Francisco, Seattle, and Spokane were studied. Practically every jobber and wholesaler in Portland was interviewed. It is believed that this report covers in an unbiased and accurate manner the conditions existing in the marketing of butter as they are related to the dairy industry of Oregon. The report is presented with the hope that it will help in solving some of the many vexing problems confronting the dairy industry of the state.

OUTLINE FOR SURVEY OF MARKETING PROBLEMS CONFRONTING OREGON CREAMERIES

1. Name and location of creamery.
2. Types of creameries.
3. Present competition for raw material.
   a. Price.
   b. Quality requirements.
   c. Basis of payment.
4. Present marketing practices and outlets.
5. Connection and experience of individual creameries with previous cooperative marketing efforts.
6. Creameries which have acute marketing problems.
   a. Quality of product marketed.
   b. Outlets.
   c. Types of dairymen supplying raw material.
7. Competition in marketing Oregon butter in local or adjacent markets.
   a. Number of competing agencies.
   b. Nature of business of competing agencies.
   c. Volume of product handled by competing agencies.
   d. Methods of distribution of competing agencies.
   e. Extent to which local demand is supplied from outside sources.
8. Extent to which creameries are taking advantage of most profitable trade in markets now being supplied.
9. Possibility of extending outlets.
   a. Local markets.
   b. Distant markets.
   c. Market requirements in new outlets.
   d. Present sources of supply in new outlets.
10. Possibilities of individual creameries taking advantage of new outlets.
11. Possibilities of groups or a federation of groups.
   a. Taking advantage of new outlets, or
   b. Taking better advantage of present outlets.
12. Suggested methods for more profitable marketing.
   a. By individual creameries.
   b. By organized groups of creameries.
      1. Cooperative.
      2. Privately owned.
      3. Groups on basis of geographic location.
   c. By federation of all groups.
13. Types of organization best suited to needs.

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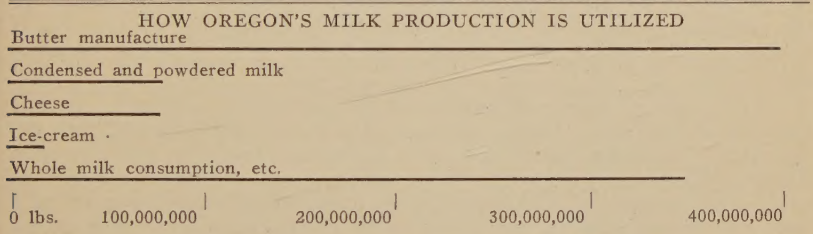
Oregon's dairy industry has attained such magnitude as to command serious consideration of further trend, of present marketing conditions and of further possibilities of development. From 1910 to 1920 the number of dairy cows increased 25 percent and from 1920 to date there was a further increase of 10 percent. The present total number, two years old or over, is 220,000, with an approximate annual production of 940,000,000 pounds of milk. This production exceeds consumptive requirements of the state by almost 100,000,000 pounds.



Butter manufacture uses about 400,000,000 pounds of the milk produced, condensed and powdered milk manufacture ranking second, with about 85,000,000 pounds, cheese a very close third with 80,000,000 pounds, while ice-cream is last, requiring approximately 20,000,000 pounds of whole milk in its manufacture. The remainder is chiefly used for whole milk consumption, and a small proportion for calf feeding.

TREND OF THE DAIRY INDUSTRY IN VARIOUS SECTIONS

In very recent years there have been some changes of trend of the industry in different sections of the state. Little change is noted in the coast areas; production is remaining fairly constant, with cheese con-

*This survey was made at the request of the Oregon Agricultural College and was conducted under an informal agreement between the Bureau of Agricultural Economics of the United States Department of Agriculture and the Agricultural Experiment Station of the Oregon Agricultural College. Much of the data obtained were of a confidential nature; consequently, individuals, firms, and organizations have not been quoted nor have statistics obtained from these sources been tabulated in this publication.

tinuing to be the main manufactured product. Some change is noted in the Willamette Valley, which originally was the main source of raw product for manufacturing purposes. While it continues to produce a larger amount for manufacturing purposes than any other one section, there is a continued increase in demand for fluid milk purposes, the Portland market making continued inroads on the creameries' sources of supply. Trucks now gather whole milk for sale in cities from almost half the length of the Willamette Valley, and in times of shortage they extend even further. With continued increases in population this trend will continue, and it is now becoming doubtful whether there will be any expansion of manufacture in the Willamette Valley.

Even greater changes are noted in the irrigated sections of Southern and Eastern Oregon. These areas which were previously livestock sections are now becoming more intensified in their dairy operations. The greatest increase in production of dairy products is noted in these sections, and there will likely be a continued increase of production in these areas.

The change in the size of herds is having some effect on the trend of the industry. In the coast areas with improved machinery, herds are increasing in size to the maximum carrying capacity of the farm. In the Willamette Valley area the strictly dairy farms are increasing in size, while the side line dairies, or dairies operated in connection with small fruit or truck farming, are not increasing in size, and may be actually decreasing to a small extent. In any event, the average size of herds can not be said to be increasing in the Willamette Valley area. In the irrigated sections the size of herds is increasing and as dairying is becoming more stabilized in those areas it may be expected to increase even more.

The type of dairymen differs in the respective sections. In the coast area dairying is becoming more of a specialized business, and the operator is becoming more and more a strictly high class dairy farmer. In the Willamette Valley area the number of real dairymen can not be said to be increasing. Consequently the industry is becoming more of a side line proposition in connection with small fruits and truck crops. In the irrigated areas, many of the dairymen were formerly livestock producers, and have had considerable to learn about the dairy business. Apparently, however, they have been apt pupils and are making dairying more of a business as they observe the results obtained.

COOPERATIVE METHODS OF MARKETING EMPLOYED BY PRODUCERS IN SOME SECTIONS

The different sections of the state have different marketing methods. For instance, in the coast area the producer sells cooperatively rather than individually, more than three-fourths of the product being sold through cooperative organizations. In the Willamette Valley area some of the manufacturing plants are cooperative, but it is doubtful whether little more than 50 percent of the product manufactured is handled cooperatively, and there is no cooperation between the different cooperative plants, each competing for markets on the same basis as those privately owned. Practically none of the fluid milk sold in this area is sold cooperatively, being an individual proposition, with many so-called

producer-distributors operating in Portland, as well as in the smaller towns. In the Willamette Valley district, especially in the selling of whole milk, some previous disastrous attempts at cooperative selling have discouraged further activities.

So small a proportion of product is sold cooperatively in the Eastern Oregon area that it can almost be said that it is entirely on an individual selling basis, and the various competitors have been so keen for product that there has not been any very apparent desire to form cooperative enterprises or to attempt cooperative selling.

CONDITIONS IN THE BUTTER INDUSTRY

The butter industry of Oregon is the most important phase of the state's dairy business. In every section of the state where dairy farming is of any consequence there are one or more creameries in operation which serve as a quick and convenient outlet for the butter-fat produced. In addition, in some sections centralizers maintain shipping stations. Cream obtained at these stations is shipped to the main plant for manufacture, principally as butter. It is very evident from a study of the location, size, and equipment of the creameries, that ample facilities are available properly to care for all of the cream produced in the various sections. In a few places the facilities are considerably in excess of the actual need, making economic operation of the creameries in such places practically impossible with the present volume of butter-fat. The effect of such a condition is unfavorable to the producer, to the creamery operator, and indirectly to the dairy industry, since the ambition to survive on the part of the creameries may create a kind of competition that is not conducive to the delivery of a high quality product by the producer, nor the manufacture of a fine quality product by the creamerymen. Some of the practices reported are manipulation of weights and tests and the manufacture of butter below the regular standard for fat and containing excess moisture or other ingredients, all of which practices tend to react unfavorably to the dairy industry and especially in lower prices to the farmer.

Except in a few cases the ability of the buttermakers and others entrusted with the affairs of the creameries is equal to the best anywhere. Where the buttermaker was being furnished a very high quality cream, a finished product of excellent quality was being made. In most of the creameries two and sometimes three grades of butter were being made. This was necessary in order to make the best use of the different grades of raw product furnished. Ability to grade cream properly when received is a very necessary qualification, and in the handling and making of a merchantable grade of butter from the lower grades of cream superior ability is necessary.

In many sections selling cream and using the skim milk for feeding to calves, pigs, and chickens is the best method, all factors considered, for the farmer to dispose of his dairy products. Dairy farmers in this state are therefore very fortunate in having such a convenient and effective means as the creamery for marketing their cream. It is also fortunate that these creameries are manned by a type of ability that will insure efficient handling and marketing of the product when provided with a raw product of high quality.

The raw product can be delivered in a short time to the local creamery, where it can immediately be taken care of in such a way as to preserve its natural characteristics and insure a product of superior quality. The efficient local creamery can handle the product more economically than other organizations.

It is apparent that there is an adequate number of creameries from a handling and manufacturing standpoint, but there are several important factors requiring attention, some of which must be eliminated and others improved if the creamery is to serve its greatest purpose as an economic and efficient agency through which the farmer can continue to market his butter-fat.

TYPES OF CREAMERIES

There are three types of creameries in various parts of the state; they are commonly known as the "centralizer," the "privately owned," and the "cooperative." Between the first and second types there is but little difference in method of ownership; both may be stock companies, the stock being held by various individuals as an investment, or they may be owned and operated by only one person. Their principal difference is in the method of operation. The centralizer conducts its activities in a wide range of territory receiving its supply of raw product not only from local points but also from receiving stations hundreds of miles away from its manufacturing center. The privately owned creamery conducts its principal business in the community in which it is located, in this respect differing but little from the cooperative creamery except that the latter is owned and operated by the farmers residing in the community in which the creamery is located. The cooperative creamery is operated entirely for the benefit of its members, all of the returns from the product less expenses of operation, maintenance, etc., being prorated to the members on the basis of quality and quantity of product furnished, whereas the centralizer and privately owned type operate on a profit and loss basis, buying the butter-fat outright and selling in accordance with market conditions, which may afford a profit or necessitate a loss on their operating costs. The prevailing type of creamery in this state is the privately owned, more than three-fourths of the entire number being of this type. The next largest group is the cooperative type. Only three are of the centralizer type.

KEEN COMPETITION FOR RAW MATERIAL

In every dairy section of the state there is the keenest kind of competition for the raw product. Unfortunately this competition is not of a good character. It is really competition for quantity and certainly not for quality. In practically every section in addition to the local creamery there are some six to twelve additional buyers from similar creameries often bidding for the farmers' product regardless of its quality. Farmers are in no way troubled for a place of disposal for their cream; their difficulty arises in deciding which one of the many offers should be accepted. Concessions of a varied nature, although of little consequence, are offered as inducements in addition to the regular basic buying price, such as immediate payment for each delivery, free use of buyers' cans, picking the cream up at the farmer's door, and other practices of a

minor nature. Each of these creates additional expense. The operation of cream-gathering routes by creameries is to be commended, but the expense should be borne by each producer in proportion to the service received. Due to the competition for butter-fat by the various creameries seeking the product, in every section there is considerable duplication of cream routes, which creates further expense that could largely if not entirely be avoided if left entirely to the creamery located in the vicinity. Much of this competition for cream now prevalent in every creamery section is of a ruinous character and sooner or later, if permitted to continue, will lessen the possibilities of success, especially of the locally-owned and cooperative creameries.

THE BASIS OF PRICE ON CREAM AND BUTTER

There is considerable uniformity in the price paid to farmers for butter-fat, due, no doubt, to the quite general use by the creamerymen of the butter price information given in a Portland newspaper. It is the custom of many creameries to pay the same price for butter-fat as is obtained for print butter in the Portland market. Some creameries pay one or more cents above this base price while others may buy the raw product for less. Considerable difficulty has been encountered in times past with the use of the various quotations for the Portland market.

The published butter price information is obtained from wholesalers and jobbers of butter in the Portland market and is supposed to represent the jobbing price obtained in the actual sales of print butter. Sale prices are also obtained from the Portland Dairy Exchange, whose members are supposed to meet daily for the buying and selling of butter and eggs. While the intention is to quote a price of actual sales that is indicative of the market condition each day a serious difficulty arises due to the fact that there is no real certainty as to the quality of the butter on which a price is being quoted. Such terms as "extras," "firsts," "seconds," etc., are used to designate the different grades of butter, but there is a difference of opinion in the minds of many of the dealers as to the quality of butter that actually meets the requirements of these different grades. In obtaining the information from the butter dealers an oral statement is accepted and due to the wide variation of opinion of the various dealers with respect to what constitutes the different grades of butter, it is readily seen that too much reliance cannot be placed on the quotations in the daily papers since they do not definitely represent the prices being obtained for butter of quality actually corresponding to the grades indicated. Many butter dealers in Portland reported that they had but little confidence in the prices obtained on the exchange. This is extremely unfortunate for the Portland market and the large volume of daily business transactions based on it. It is very evident that, due to the lack of confidence on the part of the various Portland butter dealers in the method now employed in establishing quotations on butter in the Portland market, a more satisfactory method should be devised that would, in fact, reflect more accurately the actual supply and demand conditions. The need in this respect is very urgent because of the wide influence these quotations have exerted throughout the state of Oregon.

POOR QUALITY CREAM A BIG PROBLEM

Until within the last year or so very little attention was given to the quality of the cream being received at the creameries. Cream in all conditions was acceptable to the creameries for manufacture into butter, and even now too much cream of a very poor quality is accepted. Due to the keen competition by the various creameries it was not considered a good policy by creamery operators who knew that a poor quality product should not be accepted to say anything to the producer about the quality of his product, since to intimate that a better quality product should be produced and delivered usually meant losing that producer as a patron. Some other creamery would be glad to get the cream and usually would have the opportunity. Under such conditions it appeared that there was little possibility of bringing about any improvement, even though the practice was gradually ruining the creamery business.

A few creamery operators, realizing more and more the precarious condition into which they were gradually drifting, decided to make a change and began grading cream, paying different prices for the various grades with the hope that the producers would see fit to take such care of their product as would entitle it to the highest price. In some cases a premium was paid for cream of the highest quality while in other cases cream of low quality was paid for at several cents a pound below that of the good cream, or else not accepted at all. Results in this respect were surprising and very pleasing to the operators, so much so that the influence is becoming more noticeable throughout the state. A result of the move on the part of some of the creameries to purchase only cream of a high grade or to make a difference in price for various grades, has in some cases slightly reduced the volume of cream received at the time it was put into operation. Also it has been beneficial in that competitors are beginning to see the advantages of higher quality. Where any attempt has been made to grade cream and pay different prices for the different grades a very noticeable improvement in quality has occurred. As a result of nearly a year's operation on the grading basis by some of the creameries, an increase of from 20 to 63 percent has been made in the amount of sweet cream received. Due to the good results obtained, it no doubt will soon become the general practice of all the creameries operating in the state to buy cream on a graded basis.

The excellent results obtained by the creameries that have instituted and employed the grading method is sufficient proof that farmers will do their part when shown that it is to their best interests to do so. When cream of all qualities is taken on an equal basis there is no inducement to the farmer to take special pains with his product, and the tendency is to lower the quality of the entire amount to that of the very poorest quality accepted. Of course, personal pride on the part of some of the producers would always prevent them from delivering a low quality product, but the tendency on the part of the average person is to deliver only the kind of product that the creamery will actually accept and therefore but little attention is given to the care of the product in order to insure its delivery in the best of condition.

The entire matter of quality of the raw product could be settled very quickly and effectively if the cream buyers would refuse to purchase cream of very low quality. A law making it an offense, punishable by fine at least, to purchase unwholesome cream would be productive of good results, but the problem can be solved without legislation if the

creamerymen of the state will take it upon themselves to do the thing that it is obvious must be done in the near future if the butter business is to continue to occupy the important place it should in the food supply of the country. The acceptance of cream of poor quality for manufacture into butter immediately determines that the quality of the butter made from such cream cannot be of the very best quality and therefore cannot be offered to consumers as a high quality product. Much greater expense is required in the manufacture of such cream into butter, also in the distribution of the poorer quality of butter into the various channels of trade. Greater effort is required to dispose of it and usually a lower price must be taken. Dissatisfaction on the part of the consumer with butter of low quality must also be reckoned with by those engaged in the creamery business as there is a growing tendency for such users to turn to a substitute. Consumers are less and less inclined to put up with a poor quality butter. Not knowing the real difference in value between good butter and the substitute, they think they are getting equally as nourishing a food and at a lower cost. No one likes bad tasting butter. There is nothing more conducive to the increasing use of the substitutes than the continuance of the manufacture of low grade butter. If creamerymen persist in the acceptance of cream of low quality from which only butter of a low quality can be made, their opportunities for the sale of such a product will rapidly decrease. Farmers will do their part in furnishing cream of a fine quality when they are paid a premium for it and they know that it is to be handled and marketed in the most efficient way, and especially if they know that it is conducive to the increased use of butter and the more permanent establishment of the industry in which they are engaged.

PRESENT MARKET PRACTICES AND OUTLETS

Together with the acceptance of poor quality cream and the manufacture therefrom of a poor quality butter have come marketing methods that are entirely unsatisfactory. Competitive methods employed in the sale of the butter are practically as keen and as inexcusable as those in the purchase of the raw product. Creameries that are competing in one territory for cream are often competing in the same territory in the sale of their butter. Butter of high quality in many cases is sold for no better price than that of lower quality. The buying price of butter-fat is determined by the price of prints and not by the price of cubes. This compels creameries to attempt to sell all their butter that they possibly can in print form. None have found a satisfactory state market for butter in cube packages. As a result the market is oversupplied with prints, with resulting price cutting, discounts, and other inducements of an unsound nature. If this condition were corrected it would be possible to eliminate considerable expense in the delivery of the butter, to reduce loss in bad bills, and to effect economies which would react to the benefit of the creameries. Competition is often spoken of as being the life of trade, but when practiced as is now being done by the various creameries in the sale of their product it most certainly means losses to those in the business. In so far as competition may be necessary in preventing a monopoly price for butter by any one creamery if given the entire trade of a community, there can be but little said in its favor since the consumer's ability to buy is a greater factor in determining such matters.

PREVIOUS EXPERIENCE OF CREAMERIES IN COOPERATIVE MARKETING EFFORTS

Only a few of the creameries now operating in the state can be considered as of a truly cooperative type. About one-fifth of the entire number of creameries now in operation are farmer-owned and operated, and of these not more than three or four are operated on a truly cooperative basis. The experience of the entire group of farmer-owned and operated creameries has been quite similar in all respects so that the results obtained under the cooperative ownership have been satisfactory to the producers. The farmer-owned and operated creameries are located in various sections of the state and the operation of several of them over a period of ten to fifteen years tends to demonstrate the ability of the farmers to own and operate their own creameries, and obtain results equal to, and in some cases better than, those of the privately owned and operated creamery. The results now being obtained by some of the cooperative creameries in this state are outstanding examples of what can be accomplished by united effort on the part of the producers, since the returns they have been able to make to their members for butter-fat are considerably in excess of those made by any other creamery. Were it not for the troublesome and unnecessary competition with which they are handicapped, they would undoubtedly be able to make still better returns to their members. The experience thus far of the cooperative creameries has been only with the manufacture and sale of their product as individuals although during the past year a further step has been taken in the formation of a federated organization, the purpose of which is to bring about greater uniformity in methods of operation by the various members. The results obtained thus far by this organization are indicative of some of the many benefits that may be obtained by coordinating the activities of more of the creameries of the state.

ACUTE MARKETING PROBLEMS CONFRONT CREAMERIES

Practically every creamery in the state is confronted with acute marketing problems. Each creamery is attempting to sell its own product independently of the others; therefore, there are about as many competitors as there are creameries in operation. Even with so large a number of creameries there is greater uniformity in the method of marketing than would ordinarily be expected. The most serious difficulty is with the quality of the product which they have to market, since there is a wide variation in its quality. Butter scoring from 83 to 93 points is being offered for sale in various markets of the state and the common criticism of the wholesalers and jobbers in the largest central market in the state, Portland, was that the butter sent them by the various creameries varied so much in quality and quantity, one shipment with another, that it was practically impossible to build up any regular trade on the product received from the different creameries. As a consequence it was necessary for them to determine the quality of each lot of butter received and try to dispose of it to a particular trade that required that grade of butter. Thus a consumer would get the butter from a certain creamery one time and possibly from another the next. The

better way, of course, would be for the creameries to furnish a uniform quality regularly, thus making it possible to build up a regular trade with the consumers. The various outlets for the butter are gradually narrowing down since consumers are becoming more and more particular about the quality. As higher prices are paid, the consumer tries to make more certain that more value is being received. This provides a better demand for the high quality product and a consequent lesser demand for that of poor quality. Butter dealers reported that they were constantly requested to furnish butter of higher quality, and that due to the wide variation in the quality of the butter now being received, their problem was much more difficult than formerly. They stated that they would welcome any move on the part of the creameries individually or collectively that would bring about a standard quality of butter which would make certain a much larger volume of the same quality product, and further they would do all they could to dispose of it at a higher price. They expressed themselves as having little doubt of their ability to obtain a better price for butter of high quality than they are now able to get because of the limited quantity which they were able to offer. There is less chance for taking a wide margin on butter of high quality than on the lower qualities, since in disposing of the low quality butter it is often largely a matter of driving a bargain with a buyer who may not know quality in butter.

COMPETITION IN MARKETING OREGON BUTTER IN LOCAL OR NEIGHBORING MARKETS

In the marketing of Oregon-made butter in the local markets there is considerable competition, principally among the creameries located in the various sections. In each consuming center, it is safe to say that there are from six to twelve different firms competing in the sale of butter in those centers. Practically all of the competing agencies are on equal basis in that they purchase the cream in the same sections, handle and manufacture it under similar methods, and sell it in accordance with a practice quite common to all. There is, however, in addition to the available supply of butter from the local creameries the product from the centralizer type of creamery with which they must compete. While the creameries of this latter type operate on a much larger scale and have available for sale large quantities of butter of various grades, it is not possible for them to resort to competitive practices that will make extremely difficult the problem of the local creamery in the disposal of its product. While manufacturing costs are probably less in the case of these larger creameries, their buying costs of the raw product tend to be somewhat higher than those of the local creamery. When all costs are considered by both parties there is but little if any advantage in favor of the centralizer creamery, so that in the sale of its product it must obtain practically the same price as does the local creamery. The greatest advantage that the centralizer type of creamery has is due to the larger quantities of butter of uniform quality which it has in its control, and with which it can build up a trade and supply it regularly throughout the season. This the smaller local creameries are unable to do because of the limited supply of product which they have and which too often is of variable quality, and consequently it is more difficult for them to hold their trade after they have once obtained it

even though they may make price and service concessions, which, of course, are of no avail unless the quality is somewhere near what the consumer wants.

In each consuming center of the state the larger proportion of the butter consumed is supplied by the local and neighboring creameries. The larger type of creamery, such as the centralizer, depends on the larger consuming centers for its outlet rather than on the wide distribution of its product in all sections of the state. An attempt, of course, is made by the centralizers to sell their product in just as many consuming centers as it can profitably be done, but due to the readily available supply of butter from the local creameries and due to their determined effort to hold the larger portion of the local trade, there is evidently but little effort being put forth by the centralizer creameries to sell their butter in those sections, due principally to the high cost necessary to introduce and continue the sale of their product under such conditions.

EXTENT CREAMERIES ARE TAKING ADVANTAGE OF MOST PROFITABLE TRADE IN MARKETS NOW BEING SUPPLIED

Every creamery is exerting every possible effort in promoting the sale of its product in its local and adjacent markets. The trade in most of these centers is not of a character that will demand the very highest quality butter and be willing to pay a premium price for it, although the information obtained indicated that the trade in these various consuming centers was gradually becoming more and more discriminating, and requiring a higher quality product. The gradual encroachment of the substitute product is also of considerable concern to the local creameries as it affects to some degree the sale of butter in those communities. The creameries operating in a limited way and striving to their utmost to return every cent possible to the farmer for butter-fat are unable correctly to inform the consumer as to the merits of butter as a food in comparison with those of the substitute product. On the other hand, the manufacturers and distributors of the substitute product are able to advertise extensively and put in the hands of consumers literature encouraging the use of their product and comparing its cheapness with that of butter. The matter of publicity or advertising of butter is one of the most difficult problems now confronting the creamery industry. With so many small individual units manufacturing and attempting to sell their product all independently of each other, there is little possibility of correctly acquainting the consumer with the great importance of the product of the dairy cow, and as a consequence the price of butter always has been, is now, and will continue to be the determining factor. About the only improvement under present conditions that can be made that gives promise of extending sales in any community is the improvement of quality of the product. That, of course, rests entirely with the producer and the butter manufacturer, and unless they are willing to work together more closely and insure to consumers a product of high quality at all times little further expansion can be expected.

POSSIBILITY OF EXTENDING OUTLETS

Due to the general uniformity of requirements in the various markets of the state there is little opportunity for any of the creameries greatly to extend their present outlets. This is especially true in the local markets, as price is a greater factor there than quality unless the quality gets down too low, when only a very limited sale of butter could be expected. Only a few of the creameries are in a position to take advantage of distant markets as the quality of raw product they receive and the finished product made from it varies too much from time to time to insure any better price to them than they are now receiving. The distant markets to which they might ship their product, such as San Francisco and Los Angeles, are already oversupplied with the quality of butter such as these creameries at present are able to ship. The quality of butter in those markets which brings the highest price is better than that now being made by most of the creameries in this state. The demand for butter of higher quality in the distant markets is also being quite well taken care of by creameries nearer to those markets or now in a position to supply them regularly with the kind of butter they want. In this connection it should be mentioned that some of the large cooperative creameries in California and Idaho are selling their product through a combined sales agency. This agency is handling a large amount of butter and promoting its sales in the San Diego, Los Angeles, and San Francisco markets. This organization is already amply supplied with high quality butter to meet the available demand for butter of that quality, and until further effort can be expended to develop an outlet in those markets for more butter of the higher quality it will not be in need of additional supplies. A few creameries from this state are now sending some of their butter to California markets and have been receiving a correspondingly higher price for butter of that quality than could be obtained locally.

POSSIBILITIES OF INDIVIDUAL CREAMERIES TAKING ADVANTAGE OF NEW OUTLETS

It is doubtful if any of the individual creameries now operating in this state are in a position to take advantage of any outlets other than those they are now supplying unless they will consistently manufacture butter of a high and uniform quality. Furthermore, it would be necessary to do considerable publicity work in bringing to the attention of consumers the merits of the product. It is doubtful if any of them can afford to conduct a publicity campaign individually.

POSSIBILITIES OF A GROUP OF CREAMERIES OR A FEDERATION OF SEVERAL GROUPS TAKING ADVANTAGE OF NEW OUTLETS

In order for the creameries now operating in this state to improve their conditions it will be necessary for them to combine their efforts for various purposes. First is the absolute necessity of manufacturing a uniformly high quality product at all times. This can be expedited by the employment of manufacturing and field experts who work with

farmers in teaching them to take better care of their cream, making more certain the delivery of a high quality raw product, and then working with the buttermakers teaching them to manufacture a product of the very highest quality. In this way the creameries by united action can take advantage of the best markets on the Pacific Coast and especially those of Portland, Seattle, and other neighboring centers of considerable importance. Under a group or federated plan of action not only greater advantage can be taken of new outlets, but it would be possible to obtain more satisfactory results in many of the outlets now being supplied due to their ability to furnish a product of higher quality and to bring to the attention of the consumer its greater value and its indispensability as one of their basic foods.

SUGGESTED METHODS FOR MORE PROFITABLE MARKETING

One of the very first things that the individual creameries must do in order to improve methods that will insure a greater profit from their business is the purchase primarily of only one grade of cream, that grade of cream to be of the highest quality it is possible to obtain. There is no good reason or excuse for any creamery accepting cream of any quality other than that which will make the very best quality of butter. Farmers can as well produce clean, sweet cream as the poorer kind. In order to do so some of the farmers will have to exercise more care in the cooling of the product and deliver it more frequently during the warmer weather. Results already obtained by several of the creameries in showing their patrons how to take better care of their cream and deliver a product of very desirable quality demonstrate that it is possible for the farmer to produce and deliver cream of a very high quality from which butter of the finest quality can be made.

The next important step on the part of the individual creamery is to make a butter of high quality scoring at least 92 or 93 points. This can be done by practically every buttermaker in the state. Some of the buttermakers might have to become a little more familiar with modern methods of making high quality butter. This they could easily do and the results obtained certainly would be much more satisfactory to them. By purchasing principally one grade of cream and making therefrom butter of high quality, many economies would be possible. Buying and hauling costs would be very materially reduced, because with sweet cream of highest quality there would be practically no occasion for competition in the purchase of the butter-fat other than that of price, and if each buttermaker operated his creamery efficiently there would be little possibility of one creamery being able to pay more for butter-fat than another. If a high grade butter was being put out by the various creameries, competition in its sale would be reduced to a minimum and considerable unnecessary expense would be eliminated. It would then be reasonable to expect that if only a high quality butter was available there would be a very noticeable increase in the use of butter. This also would indirectly reduce costs to the creamery and of course would increase net returns to the patrons.

RESULTS OF TWO SCORINGS OF OREGON CREAMERY BUTTER
Scorings Made in March and April, 1926

Creamery	First score	Second score
1	87	90
2	89½	88½
3	89	91
4	91	92
5 (sweet cream)	89	89
6	90	91
7	86	89½
8	90	89½
9	85	89½
10	90	89½
11	90	90½
12	91½	92½
13	83	85
14	88	90
15	89	88
16	88	86
17	87	----
18	89	----
19	88	----
20	90½	----
21	89	----
22	86	----
23 (sweet cream)	93	----
24	90	----
25	86	----
26	87½	----
27	88½	----
28	89	----
29	87	----
30	86½	----
31	88½	----
32	84	----
33	----	88
34	----	88
35 (sweet cream)	----	90½
36	----	87
37 (sweet cream)	----	86
38	----	88
39	----	89
40	----	89
Average	88.3	89.0

If the creameries of the state would form group organizations principally for the purpose of the standardization of manufacture and sale of their product, it would then be possible further to reduce costs of selling and also establish their product on the market in a way that would be certain to place them in a much more permanent relation to the consuming public. It would be necessary in forming group organizations to have a sufficient volume of butter at all times fully to supply the trade that would be expected to develop. It is very evident from the information available as to the amount of butter now being sold by each creamery through wholesalers or jobbers, that if this quantity were sold through central sales agencies owned and operated by creamery groups each, if properly organized, could have a sufficient volume of products to insure economical operation and distribution. Sales departments could safely go ahead and build up trade for butter of high quality to be sold under a brand name and certified as to quality by either Federal or state officers, operating a joint inspection service which would tend to estabish confidence in the consumer. Federated butter sales agencies are now operating in two different sections of the country and give promise of being the most effective and satisfactory method of selling butter made by local creameries. The expense of operating fed-

erated sales organizations for all or at least a majority of the creameries of the state, both cooperative and privately owned, would be reasonably low because of the large volume of butter available.

Several things can be done by a group operating together that individual creameries cannot possibly undertake or afford to do when operating alone. The first and most important of these is advertising. Advertising apparently must be done more regularly and extensively if butter is made to occupy an important place in the regular diet of the food users of the country. The extensive publicity now being given to the substitute product is having its effect on the butter industry of the country and must be met by bringing to the attention of consumers the superior merits of the high grade butter product produced and marketed in all sections of this country. It is impossible for individual creameries of the country to undertake this gigantic task alone, but by acting in a united way, it can be done very effectively. As to whether the consuming public will appreciate a product of high quality and depend on it regularly, there is no doubt.

As nearly as can be determined at this time there are only one or two places in Portland where consumers can regularly obtain a uniformly high quality of butter. The output of butter by one of these agencies has doubled and nearly trebled within the last year and a half. No special attempt has been made to increase the sale of this butter other than by maintaining its extremely high quality. The butter has advertised itself. One satisfied customer evidently obtained another. Consumers have to come to the store where this butter is sold as no delivery service is maintained. This again shows that the trend of the consumer is toward a product of higher quality. It must always be kept in mind when building up a trade on a high quality product that a constantly available supply must be maintained because satisfied consumers mean a continuation of demand, and if they are disappointed a time or two in obtaining the product they have learned to like they are quite certain to turn to other sources of supply. This is an important fact to be constantly kept in mind by those in this state interested in the development of plans for the more efficient sale of the high quality product. Unless ample provision is made for a regular supply of the high quality butter to meet the demand of the consumer, serious difficulty will be encountered by the sales department of such an organization and possibly the entire purpose be defeated.

TYPES OF ORGANIZATIONS BEST SUITED TO NEEDS

The plan of either of the cooperative butter sales organizations now in operation in this country, one at Minneapolis, Minnesota, and the other at Los Angeles, California, would be suitable for use by the creameries in this state. The volume of butter now available from the cooperative creameries possibly would be sufficient to warrant starting a central sales agency of only cooperative creameries, but an added volume would further assure its success and could be obtained if a number of the privately owned creameries would join with the cooperatives in producing and marketing a high grade butter. The privately owned creameries are in fully as great need of a more efficient method of selling their product as are the cooperative creameries. Many of the own-

ers and operators of the privately owned creameries have indicated a willingness to join with the cooperatives in improving and marketing their product.

SUMMARY

1. The chief commercial dairy product of Oregon is butter.

2. The quality of Oregon butter varies from 85 to 93 score with an average of about 89.

3. There are no established and recognized standards of quality for butter in Oregon.

4. The prices paid for butter-fat are fairly uniform, and generally the same for all grades.

5. Butter market quotations are misleading because they do not reflect actual differences in quality.

6. Transactions on the Portland Dairy Exchange are generally disregarded by the trade.

7. The prices of butter do not always reflect its real quality.

8. There are adequate facilities for the manufacture of butter in all sections of the state.

9. In some sections there are too many creameries for most economical operation.

10. About 87 percent of the creameries are privately owned, 10 percent are farmer owned, and 3 percent are centralizers.

11. Managerial and manufacturing ability in most instances compares favorably with that found in creameries in other states.

12. Keen competition among the creameries has resulted in unfair and unsound methods in the purchase of raw material.

13. No cream is so poor that it would not be accepted by some creamery.

14. Competition in marketing has also developed unfair and unsound methods.

15. No particular class of creameries is above reproach in methods practiced in marketing.

16. The Oregon markets are usually glutted with a product of average quality now manufactured.

17. The trend of the consumer demand is for higher quality butter.

18. The increasing demand for better quality butter is recognized by most creameries.

19. Individual action cannot accomplish the needed improvement in the quality of butter made.

20. The first step in meeting competition of substitutes for butter, is the improvement of the quality of butter.

21. The future success of Oregon dairy industry depends upon united action within the industry in improving the quality of butter and the correction and elimination of present evils existing in the purchase of raw material and group action in the marketing of the manufactured product.

RECOMMENDATIONS

1. A state law defining sweet cream and sweet cream butter.

2. Establishment of sweet cream as the standard for first grade cream.

3. Payment for cream to be based on the price of butter it produces.

4. Development as soon as possible of a large volume of uniformly high quality sweet cream butter to be sold under one brand name.

5. Formation of a creamery federation for the purpose of improving methods of manufacture, elimination of unfair and unsound practices in the purchase of cream and the sale of butter.